

Department of Social and Health Services

**DP Code/Title: M2-9M Medical Inflation**  
**Program Level - 020 Juvenile Rehabilitatn Admin**

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Budget Period: 2003-05    Version: 11    2003-05 Agency Request Budget

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**Recommendation Summary Text:**

This item funds inflation applicable to professional medical services and supplies purchased by the Department of Social and Health Services (DSHS) programs as an integral component of services provided to agency clients.

**Fiscal Detail:**

**Operating Expenditures**

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Program 020</b>			
001-1 General Fund - Basic Account-State	53,000	110,000	163,000
<b>Total Cost</b>	<b>53,000</b>	<b>110,000</b>	<b>163,000</b>

**Staffing**

**Package Description:**

The general inflation rate for medical services is estimated to average 4.4 percent annually over the 2003-05 Biennium. This estimate represents a composite rate comprised of changes in costs for a number of medical services and supplies. In this request, DSHS is making a distinction between the component or components of medical care (i.e. physicians, hospitals, drugs) and has applied corresponding estimated inflation rates for these services. The medical care services/goods and corresponding rates by program are as follows:

Medical Care Inflation = 4.4 percent  
(US BLS CPI-U - Seattle-Tacoma-Bremerton, WA MSA - 2001)

Physician Services = 3.6 percent  
(US BLS CPI-U - U.S. City Average - 2001)

Hospital Services = 3.1 percent  
(CMS Hospital Prospective Reimbursement Market Basket - 2nd Quarter 2004 Forecast - DRI)

Drugs = 5.4 percent  
(US BLS CPI-U - U.S. City Average - 2001)

Washington Medicaid Hospital Services = 6.3 percent  
(Managed Care Rates - DSHS MAA Forecast)

Health Insurance Premiums = 12 percent  
(Office of Financial Management)

**Narrative Justification and Impact Statement**

***How contributes to strategic plan:***

Necessary medical services for DSHS clients will continue to be available at present program levels.

***Performance Measure Detail***

**Program: 020**

**Department of Social and Health Services**

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**Goal: 08B Build stronger continuum of care for juveniles & families with the justice system**  
No measures submitted for package

Incremental Changes	
<u>FY 1</u>	<u>FY 2</u>

***Reason for change:***

Recognition of these medical inflation costs will facilitate the department's ability to continue providing clients with current levels of service.

***Impact on clients and services:***

Funding will assure that affected client populations will get appropriate medical care at levels that are presently available.

***Impact on other state programs:***

All DSHS programs that provide medical services would be impacted.

***Relationship to capital budget:***

None

***Required changes to existing RCW, WAC, contract, or plan:***

None

*Alternatives explored by agency:*

No alternatives are proposed. The services involved require the expertise of qualified medical providers at specified costs. Generally, costs are related to medical examinations, lab tests, radiology, and other ancillary services.

**Budget impacts in future biennia:**

General medical inflation is currently projected at a per annum rate of 4.4 percent, with higher rates for some components such as drugs and hospitals.

***Distinction between one-time and ongoing costs:***

These are all ongoing costs.

***Effects of non-funding:***

Medical service providers may choose not to renew contracts with DSHS, charge higher rates for services to other populations of DSHS clients, and/or reduce the number of services they are willing to provide in an attempt to balance costs with available reimbursement. These actions could impact client access to care and the quality of the care received. Programs may attempt to cut costs/services in other areas in order to fund medical inflation-related incremental costs.

***Expenditure Calculations and Assumptions:***

Adequate reimbursement is essential to maintaining a cadre of qualified providers who are willing to provide required services. This step will allow adequate payment levels to continue to meet JRA's provider needs for youth in DSHS custody.

JRA determined the historical rate of increase to medical expenditures. The portion of that increase attributed to inflation is entered in this package. The remainder is entered in the Medication Utilization Request.

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See attachment - JRA M2-04 Medical Inflation.xls

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 020 Objects			
N    Grants, Benefits & Client Services	53,000	110,000	163,000

**DSHS Source Code Detail**

Program 020		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	53,000	110,000	163,000
<i>Total for Fund 001-1</i>		<u>53,000</u>	<u>110,000</u>	<u>163,000</u>
<b>Total Program 020</b>		<u>53,000</u>	<u>110,000</u>	<u>163,000</u>